

**ECI COMMUNICATIONS, INC., DBA ITS NETWORK SERVICES**

*Revised*  
**PREFILED TESTIMONY OF**  
**ED JACOBS**

Date 3/12/02 Reporter: JM

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

**DIRECT TESTIMONY OF Ed Jacobs  
ON BEHALF OF  
ECI COMMUNICATIONS, INC., DBA ITS NETWORK SERVICES**

1 Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

2 A: Ed Jacobs, ECI Communications, Inc. ("ECI"), 7108 Fresno Avenue, Suite 300, Fresno,  
3 CA 93720.

4 Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A: ECI Communications, Inc., as President.

6 Q: IS THE ADDRESS OF THE COMPANY THE SAME AS THAT WHICH YOU HAVE  
7 JUST SUPPLIED?

8 A: Yes.

9 Q: PLEASE DESCRIBE YOUR DUTIES FOR THE COMPANY.

10 A: Yes. As President, I am responsible for the over all performance of the company  
11 including meeting profit objectives, customer satisfaction goals, and regulatory  
12 compliance.

13 Q: COULD YOU PROVIDE A BRIEF BACKGROUND ON YOUR EDUCATION AND  
14 EXPERIENCE WITH TELECOMMUNICATIONS?

15 A: Yes, I have a BS degree in Computer Engineering from the University of California at  
16 Berkeley, and an MBA from California State University at Sacramento. Prior to my  
17 present position I was co-founder and President of LaRae Enterprises, a consulting and  
18 investment banking company, which specialized in acquisitions, financing, and business  
19 development in the telecommunications industry. From 1992 to 1997, I served as  
20 president, CEO, and Chairman of National Telephone and Communications("NTC"), a  
21 reseller of long distance telephone services. I was instrumental in increasing annual  
22 revenues from \$4 million to over \$100 million during his five year tenure. Prior to his  
23 employment with NTC, I co-founded Dataaccount Corporation, a financial services

1 company specializing in payroll operations, and previously was employed by MacDonnell  
2 Douglas.

3 Q: ARE YOU FAMILIAR WITH THE APPLICATION OF YOUR COMPANY  
4 SUBMITTED TO THIS COMMISSION?

5 A: Yes.

6 Q: DO YOU RATIFY AND CONFIRM THE STATEMENTS AND REPRESENTATIONS  
7 MADE IN THAT APPLICATION?

8 A: Yes.

9 Q: WHICH CARRIER OR CARRIERS SERVE AS YOUR UNDERLYING CARRIER?

10 A: At present, our customers utilize the network facilities of Global Crossings.

11 Q: ARE YOU USING THE FACILITIES OF ANY OTHER CARRIERS?

12 A: Not at this time.

13 Q: WHAT SERVICES DOES GLOBAL CROSSINGS PROVIDE ECI  
14 COMMUNICATIONS, INC., DBA ITS NETWORK SERVICES.?

15 A: Global Crossings provides outbound switched and dedicated services, inbound switched  
16 and dedicated services, calling card services, and Directory Assistance.

17 Q: HOW DOES ECI COMMUNICATIONS, INC., PURCHASE ITS GLOBAL CROSSINGS  
18 SERVICES?

19 A: We purchase services pursuant to the terms and conditions set forth in Global Crossings's  
20 FCC Tariffs and Global Crossings's state tariffs.

21 Q: BY "FCC", DO YOU REFER TO THE FEDERAL COMMUNICATIONS  
22 COMMISSION?

23 A: Yes.

24 Q: HOW IS THE RESALE OF THE GLOBAL CROSSINGS SERVICES EFFECTED?

25 A: Other than directory assistance, Global Crossings offers volume interstate and international  
26 discounts on its long distance services. The interstate and international discounts are  
27 covered in the carrier's interstate tariffs. Because of the interstate discounts available to  
28 ECI, ECI is able to share some of that discount with the customer. ECI is able to offer

1 services to its customers at a rate that is lower than what the customer could obtain  
2 directly from the carrier. By pooling the traffic of its customers, ECI is able to achieve  
3 the volumes necessary to obtain substantial discounts available from Global Crossings.

4 Q: IS IT THE SHARING OF THESE LOWER RATES WITH YOUR CUSTOMERS THAT  
5 CONSTITUTES THE "RESALE" ASPECT OF YOUR BUSINESS?

6 A: No. What constitutes the resale aspect of our business is that we buy at wholesale from  
7 the underlying carrier and sell at retail under a private label. The private label is ECI  
8 Communications, Inc., d/b/a ITS Network Services

9 Q: BY USING ECI, DO YOUR CUSTOMERS PAY RATES MORE CLOSELY ALIGNED  
10 WITH THOSE PAID BY VERY LARGE USERS?

11 A: Our customers pay rates that are in between what the very large users pay and the rate  
12 a customer could obtain by subscribing to the carrier directly.

13 Q: WILL ECI PROVIDE ANY EQUIPMENT OR FACILITIES IN CONNECTION WITH  
14 ITS SERVICES?

15 A: All facilities are provided by the underlying carrier, Global Crossings.

16 Q: DOES ECI INVOLVE ITSELF IN THE BILLING CYCLE OF ITS CUSTOMERS?

17 A: Yes. The underlying carrier provides billing tapes of all call detail. The intrastate call  
18 detail records are then sorted by ECI customer, rated at the rates included in ECI'  
19 intrastate tariff. A bill is generated monthly for the customer.

20 Q: HOW LONG HAS ECI BEEN IN BUSINESS?

21 A: ECI was incorporated in the State of Nevada on September 20, 2000.

22 Q: DOES ECI HAVE OFFICES IN ILLINOIS?

23 A: No. There is no need to do so. ECI uses independent distributors located in each state  
24 where we do business. After a screening process to determine if the distributor meets the  
25 company criteria, potential distributors are interviewed. If the distributor is selected, the

1 distributor must complete the company's training program. Independent sales agents will  
2 contact potential customers by telephone and in person. All sales material used by the  
3 independent agents must be approved by ECI.

4 Q: WHY HAS ECI FILED THIS APPLICATION?

5 A: It is part of developing a national presence.

6 Q: WHERE DOES ECI ANTICIPATE OFFERING ITS SERVICES IN ILLINOIS?

7 A: ECI intends to offer its services throughout the state of Illinois. Services provided  
8 through switched access are available to any customer in an equal access area. Services  
9 provided through dedicated access would be available anywhere in the state.

10 Q: IS ECI PROPOSING TO PROVIDE INTRASTATE OPERATOR SERVICES IN  
11 ILLINOIS?

12 A: Yes. All long distance operator services available to a customer in Illinois will be  
13 provided by the underlying carrier, Global Crossings and will be billed to the customer  
14 by ECI's at our tariffed rates.

15 Q: DOES ECI OFFER OPERATOR SERVICES IN OTHER STATES.

16 A: Yes, On the same basis as described for Illinois.

17 Q: DOES ECI PROVIDE PAYPHONE SERVICES?

18 A: No.

19 Q: HOW WILL ECI MARKET ITS SERVICES?

20 A: ECI markets its services on both a regional and local basis. After certification, ECI will  
21 select, appoint, and train authorized distributors in Illinois. These distributors will call  
22 on potential customers to offer ECI's interstate telecommunication services. ECI offers  
23 Illinois intrastate services only in conjunction with interstate services. A Illinois customer  
24 could also be acquired as part of a regional account. A company headquartered in another  
25 state may have a Illinois location that it includes in its ECI service agreement.

1 Q: IS ECI CERTIFIED OR OTHERWISE AUTHORIZED TO PROVIDE INTRASTATE  
2 RESALE SERVICES OF THE TYPE DESCRIBED HEREIN IN ANY OTHER  
3 STATES?

4 A: <sup>in 26 states total.</sup> ~~ECI has been certified or otherwise authorized to provide intrastate resale services in~~  
5 ~~California, Michigan, and Montana. We have never been denied authority in any state.~~

6 Q: IN WHAT OTHER STATES WILL ECI SEEK WHATEVER APPROVALS ARE  
7 NECESSARY?

8 A: ECI has filed for approval in <sup>except Alaska, Delaware, Tennessee,</sup> ~~Arizona, Colorado, Indiana, Massachusetts, Nevada,~~  
9 ~~Oregon, Pennsylvania, Washington, Wisconsin, Wyoming.~~

10 Q: WILL INTERSTATE FACILITIES BE EMPLOYED TO TERMINATE ILLINOIS  
11 CALLS?

12 A: That is a matter handled by the underlying carriers but we understand that is the case.

13 Q: FOR PURPOSES OF REPORTING ECI'S PERCENTAGE OF INTERSTATE USAGE,  
14 WOULD TRAFFIC SENT OUT OF THE STATE AND THEN BACK BE REPORTED  
15 INTRASTATE OR INTERSTATE TRAFFIC?

16 A: It would be considered intrastate traffic.

17 Q: HOW WILL ECI ENSURE THAT INTRASTATE SWITCHED TRAFFIC COMPLETED  
18 USING INTERSTATE FACILITIES IS ATTRIBUTED TO THE INTRASTATE  
19 JURISDICTION?

20 A: Any reports that ECI furnishes the Illinois commission will be based on the traffic and  
21 billing tapes provided to ECI from the underlying carrier. ECI will have the ability to  
22 provide intrastate usage based on where a call originates and terminates regardless of how  
23 the call is routed. ECI is not aware of how a particular call was routed by the underlying  
24 carrier.

25 Q: WHY DOES ECI WANT TO COMMENCE INTRASTATE OPERATIONS IN

1 ILLINOIS?

2 A: ECI will also be seeking approvals in the immediate future from all other states except  
3 Alaska to be able to commence a national sales strategy.

4 Q: IN YOUR OPINION, WHY IS ECI'S SERVICE IN THE PUBLIC INTEREST?

5 A: First, it builds on the longstanding principles of resale services in general. That is, resale  
6 of telecommunications services expands the availability of telecommunications services  
7 to more members of the public at more competitive prices. In addition, by lowering the  
8 costs of telecommunications, small and medium sized businesses are able to maintain their  
9 all important communications costs at levels that are closer to those available to larger  
10 users. All of this ECI believes, improves the competitive environment not only in  
11 telecommunications but also generally. It will allow Illinois companies to compete on a  
12 more equal basis with their outstate competitors who may already be benefiting from  
13 lower telecommunications costs. The more competitively equal companies are, the more  
14 the public should benefit through products and services made and/or delivered more  
15 efficiently and more responsively to consumer needs and desires.

16 Q: YOU HAVE DESCRIBED YOUR SERVICES TO BUSINESSES. WILL ECI ALSO  
17 SERVE RESIDENTIAL USERS?

18 A: Yes

19 Q: HOW WOULD A CUSTOMER REPORT A SERVICE PROBLEM?

20 Customers may contact our Customer Service Department by phone or in writing. The  
21 address and 800 phone number are listed on the customer's telephone bill.

22 Q: WERE THE FINANCIAL STATEMENTS PROVIDED AUDITED?

23 No

24 Q: DO YOU KEEP YOUR BOOKS CALIFORNIA? IF SO, THE STATE OF ILLINOIS  
25 REQUIRES ECI TO PAY NORMAL EXPENSES FOR AN AUDITOR FROM THE

1 STATE TO REVIEW THE BOOKS IF REQUIRED BY THE COMMISSION. IS THIS  
2 AGREEABLE?

3 A. Yes.

4 Q: DOES THIS COMPLETE YOUR PREFILED TESTIMONY IN SUPPORT OF YOUR  
5 APPLICATION?

6 A: Yes it does.



1  
2  
3 **BEFORE THE**  
4 **ILLINOIS PUBLIC SERVICE COMMISSION**

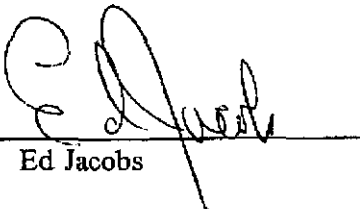
5  
6 State of California )  
7 ) SS:  
8 County of Fresno )  
9

10 **AFFIDAVIT**  
11

12  
13 I, Ed Jacobs, of lawful age, being first duly sworn deposes and says as follows:

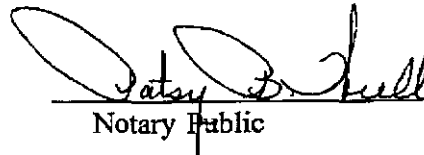
- 14 1. I am President for ECI Communications, Inc., d/b/a ITS Network Services  
15 and have caused to be prepared written testimony in connection with ECI  
16 Communications, Inc., d/b/a ITS Network Services's Petition for a  
17 Certificate of Public Convenience and Necessity.  
18 2. My testimony is true and correct as I verily believe.  
19

20 Further affiant sayeth not.  
21

22  
23   
24 Ed Jacobs

25  
26 Subscribed and sworn to before me a notary Public on this 14th day of

27 January, 20 02  
28  
29

30   
31 Notary Public  
32

33 My commission expires: 1-26-05  
34

